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Income Tax Information

Revised Copy of
Internal Revenue Regulations

Compliments of

TRUST DEPARTMENT

HARRIS TRUST & SAVINGS BANK

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HARRIS TRUST BUILDING, CHICAGO

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INTERNAL REVENUE REGULATIONS

I

REGARDING THE DEDUCTION
OF THE INCOME TAX AT THE SOURCE
ON INTEREST MATURING ON BONDS, NOTES
AND OTHER SIMILAR OBLIGATIONS OF
CORPORATIONS, JOINT STOCK
COMPANIES, OR ASSOCIATIONS AND
INSURANCE COMPANIES, UNDER
THE PROVISIONS OF SECTION II
OF THE ACT OF OCTOBER 3, 1913.

REPRINTED AS ISSUED
AND SUBSEQUENTLY REVISED
BY THE INTERNAL REVENUE
DEPARTMENT
OCTOBER 25, 1913

Compliments of

TRUST DEPARTMENT
HARRIS TRUST & SAVINGS BANK

Organized as N. W. Harris & Co. 1882, Incorporated 1907

HARRIS TRUST BUILDING, CHICAGO

Tax to be Deducted at Source

Under the Income Tax Law, enacted October 3, 1913, a tax of one per cent, designated in the law as the *normal tax*, shall be deducted at "the source," beginning November 1, 1913, from all income accruing and payable to:

- (a) Every citizen of the United States, whether residing at home or abroad, and to
- (b) Every person residing in the United States, though not a citizen thereof, which may be derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations, including equipment trust agreements and receivers' certificates of corporations, joint stock companies or associations, and insurance companies, although such interest does not amount to three thousand dollars, excepting only the interest upon the obligations of the United States or its possessions, or a State or any political subdivision thereof.

The term "Debtor," as hereinafter used, shall be construed to cover all corporations, joint stock companies or associations, and insurance companies.

When Tax Shall be Withheld by Debtor

For the purposes of collecting this tax on all coupons and registered interest, originating, or payable in the United States the source shall be the Debtor (or its paying agent in the United States) which shall deduct the tax when same is to be withheld, and no other bank, trust company, banking firm, or individual taking coupons or interest orders for collection or otherwise, shall withhold the tax thereon: *Provided*, that all such coupons or orders for registered interest are accompanied by certificates of ownership signed

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by the owners of the bonds upon which the interest matured. These certificates shall be in the forms hereinafter prescribed and a separate certificate shall be made out by each owner of bonds for the coupons or interest orders for each separate issue of bonds or obligations, of each Debtor.

When Tax Shall be Withheld by First Collecting Agency

If, however, the coupons or interest orders are not accompanied by certificates as prescribed above, the first bank, trust company, banking firm or individual, or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate, giving the name and address of the owner of, or the person presenting such coupons or interest orders if the owner is not known, with a description of the coupons or interest orders; also setting forth the fact that they are withholding the tax upon them; whereupon the Debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver to the Government the certificate of such bank, trust company, etc., which is withholding such tax money.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest, and to whom the certificates above provided for are delivered, should require the persons tendering such coupons or orders for registered interest to satisfactorily establish their identity.

Payment of Registered Interest by Debtors

A Debtor, whose bonds may be registered, both as to principal and interest, shall deduct

the normal tax of one per cent from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders signed by the registered holders of said bonds until there shall be filed with said Debtor, or its fiscal agent (and not later than thirty (30) days prior to March 1st), through whom said interest is customarily paid, the proper certificates claiming exemption from liability for said tax as herein provided, executed as follows:

By a citizen or resident of the United States, the bona fide owner of the registered obligations, who may claim exemption under Paragraph C, Section 2, of the Federal Income Tax Law, or

By corporations, joint stock companies, associations or insurance companies organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in Paragraph G, Subdivision A, of the Act, or

By a bona fide resident and citizen of a foreign country, claiming exemption as such.

Designation of Fiscal Agencies

The "Debtor" may appoint paying or fiscal agents to act for it in matters pertaining to the collection of this tax, upon filing with the collector of internal revenue for its district a proper notice of the appointment of such agent or agents.

Certificates Claiming Exemption

If the owners of the bonds are individuals, who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or, with respect to the interest on registered bonds, shall be filed with

payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached, or the amount of interest due such owners on registered bonds and the full name and address of the owners, and shall also state whether they claim, or do not then claim, exemption from taxation at the source provided for by Paragraph C, of Section II of the Federal Income Tax Law (\$3,000, and under certain conditions \$4,000) as to the income represented by such coupons or interest.

The certificate shall also show the amount, if any, of exemption claimed and the date of signature.

The form of certificate to be used for this purpose shall be substantially as follows:

***Form of Certificate to be Presented with
Coupons or Interest Orders Stating
Whether or Not Exemption is
Claimed under Paragraph C,
Section 2, of the Federal
Income Tax Law***

"I do solemnly declare that I,.....,
a citizen or resident of the United States, and
residing at.....,
am the owner of \$..... bonds of the de-
nominations of \$..... each, Nos.✓.....
.....
of the

(Give name of Debtor)

known as..... bonds,
(Describe the particular issue of bonds)
from which were detached the accompanying
coupons, due.....191...., amount-
ing to \$....., or upon which there ma-
tured....., 191.... \$.....
of registered interest.

I (do) now claim with respect to the
(do not)
income represented by said interest, the bene-
fit of a deduction of \$..... allowed under

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Paragraph C, Section II, of the Federal Income Tax Law, the total exemption to which I am entitled thereunder being

\$_____

Name.....

Address.....

Date....., 191....

Whenever interest coupons accompanied by a certificate of an individual who is a citizen or resident of the United States, as aforesaid, are presented to a Debtor or its fiscal agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the Debtor or its fiscal agents shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership in the form herein prescribed.

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, except that it shall be filed with the Debtor at least five (5) days before the due date of such interest.

By Whom Signed

These certificates must be signed by the claimants with their full name, and contain their postoffice and street address, also the date when signed.

Duly authorized agents, trustees acting in a trust capacity, etc., may sign such certificates for the persons for whom they act.

Organizations Whose Interest Coupons are not Taxed at Source

If the owners of the bonds are corporations, joint stock companies, associations or insurance companies organized in the United States, no matter how created or organized, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation as provided in Paragraph G, Subdi-

vision A of the Act, the Debtor is not required to withhold or deduct the tax upon income derived from interest on such bonds, provided coupons or orders for interest from such bonds shall be accompanied by a certificate of the owners thereof certifying to such ownership, which certificates shall be filed with the debtor when such coupons or interest orders are presented for payment.

Such certificates shall be substantially in the following form:

Certificate to be Furnished by Organizations not Subject to Tax on Interest at Source

"I,.....
(give name)

the..... of the.....
(give official position) (name of organization)
a..... of..... located at
(character of organization) (state)

....., do solemnly declare that said
(postoffice address)

..... is the owner of \$.....
(give name of organization)

bonds of the denomination of \$..... each,
Nos.

..... of the.....
(give name of Debtor)

known as..... bonds,
(describe particular issue of bonds)

from which were detached the accompanying
coupons, due..... 191.....,
amounting to \$....., or upon which there
matured....., 191..... \$.....

of registered interest, and that under the provisions of the Income Tax Law of October 3, 1913, said interest is exempt from the pay-

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ment of taxes collectable at the source, which exemption is hereby claimed.

Name

(official position)

of

(name of organization)

Date.....191.... Address.....

(postoffice)

This certificate must be signed by the full name of the organization, stating its place of business, and by the President, Secretary, or some other principal officer of the said corporation or organization duly authorized to sign same, together with the date of execution."

How Collected when not Accompanied by the Certificate of Owner

Where coupons or interest orders are not accompanied by the ownership certificates, the form to be executed by the first bank, trust company, banking firm, individual, or collection agency receiving the same for collection or otherwise, which must accompany the coupons or interest orders, shall be substantially as follows:

Form of Certificate to be Presented with Coupons or Interest Orders when Not Accompanied by Certificate of Owners

I,....., the.....

(Name)

(Official Position)

of the....., of.....

(Bank or Collecting Agency) (Address)

do solemnly declare that said.....

(Collecting Agency)

has (or have) purchased or accepted for collection the accompanying coupons or interest orders amounting to \$....., and which represent interest matured on \$.....of bonds of the.....

(Name of Debtor)

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and that re-
(Collecting Agency)

ceived said coupons or orders for registered
interest from.....

(Name of party from whom received)
of....., and that no cer-
(Address of said party)

tificate of ownership accompanied said coupons
or interest orders, and.....

(Collecting agency)
hereby acknowledges responsibility of with-
holding therefrom the normal income tax of
1 per cent, in accordance with the regulations
of the Treasury Department.

Name
(Collecting agency)

By
(Signature of officer duly authorized to
sign, and his official position)

Address
(Give full address)

Date.....191....

This certificate shall be dated and signed by
and shall state the address of the corporation,
organization, collecting agency, or person,
withholding the tax, with full name and ad-
dress.

Final Disposition of Certificates

The Debtor, or paying agents, shall deliver
all certificates, with the list of names and ad-
dresses of those for whom the tax has been
withheld, showing amounts, as required by
law, to the *Collector of Internal Revenue* for
their district on or before the 20th day of the
month succeeding that in which said certifi-
cates were received by them.

Interest Due Before March 1, 1913

The tax shall not be withheld on coupons,
or registered interest, maturing and payable

before March 1, 1913, although presented for payment at a later date.

License Required for Collection of Income from Foreign Countries

All persons, firms or corporations undertaking for accommodation or profit (this includes handling either by way of purchase or collection) the collection of coupons, checks or bill of exchange, etc., for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations, and for any dividends upon stock or interest upon obligations of foreign corporations, associations, or insurance companies engaged in business in foreign countries, are required by law to obtain a license from the Commissioner of Internal Revenue and may be required to give bond in such amount and under such conditions as the Commissioner of Internal Revenue may prescribe.

By Whom Tax is Withheld

The licensed person, firm, or corporation first receiving any such foreign items, for collection, or otherwise, shall withhold therefrom the normal tax of one per cent, and will be held responsible therefor. He (the licensee) shall thereupon endorse or stamp thereon the words "Income Tax Withheld by" (giving his or their name, address and date), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the income tax.

If the size or nature of such coupons, checks, etc., makes it impracticable to make said endorsement as above, a statement identifying the item on which tax is withheld and bearing said endorsement may be attached thereto with the same effect as if the endorsement was made directly thereon.

List of Tax Collections on Foreign Items

Such licensee shall obtain the names and addresses of the persons from whom such items are received and shall prepare a list of same and file it with the Collector of Internal Revenue for his district not later than the 20th of the month next succeeding the receipt of such items. The list shall be dated and shall contain the names and addresses of the taxable persons and the amount of tax deducted, and from what source collected. livery with the lists aforesaid to the Collector

Certificates to Secure Tax Exemption on Foreign Items

In the event such coupons, checks, or bills of exchange above mentioned, are presented for collection by an individual claiming the benefit of the deductions allowable under Paragraph C, Section II, of the Federal Income Tax Law, such individual shall be permitted to avail himself of the deduction claimed, upon signing on the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint stock companies or associations and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

In both instances, the licensee first receiving such items shall retain such certificates for de- of Internal Revenue for his district, not later than the 20th of the month next succeeding that in which said items were received, and with respect to said coupons, checks or bills of exchange, said licensee shall attach thereto (identifying the items) or endorse, or stamp

thereon the words "Income Tax exemption claimed through" (giving name and address of licensee) which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

The provisions for collection of the tax on foreign obligations set forth in this section of the regulations, includes the interest upon all foreign bonds, even though the coupons may be at the option of the holder, payable in the United States as well as in some foreign country.

Accurate Record to be Kept by Licensees

All persons licensed shall keep their records in such manner as to show from whom every such item has been received, and such records shall be open at all times to the inspection of Internal Revenue officers.

Penalty for Omission to Obtain License

Failure to obtain license or to *comply with regulations* is punishable by a *fine* not exceeding \$5,000, or *imprisonment* not exceeding *one year or both*, in the discretion of the court. Such licenses shall continue in force until revoked.

Application for such licenses should be made to the Collectors of Internal Revenue for the district in which they are engaged in business, and may be issued without cost to such persons as the Commissioner may approve, upon their filing with the Collector the bond herein provided for.

All persons in making application to the Collector of Internal Revenue for such licenses, shall register their names and addresses and state the nature of the business in which they are engaged. Such application for the license, accompanied by a proper surety bond,

when both have been approved by the Collector, will be considered a sufficient compliance with the law to enable the persons making application to do business until February 1, 1914, without incurring the penalties provided by law for failure to procure the required license.

Penalty for False Statements

If any person, for the purpose of obtaining any allowance or reduction by virtue of a claim for exemption, either for himself or for any other, knowingly makes a false statement or false or fraudulent representation, he is liable under the Act to severe penalties.

Partnerships

Where coupons or interest orders, presented for payment, represent the interest on bonds, or other similar obligations, owned by a partnership, they shall be accompanied by a certificate of ownership, which shall be signed either in the firm's name by one member of the firm or by each individual member of the partnership, and the normal tax shall be withheld by the debtor with respect to the income represented by said interest.

Said certificate of ownership shall be in substantially the following form:

Form of Certificate to be Filled Out and Signed by Members of Partnerships

The following certificate should be used when coupons or interest orders are presented by citizens or residents of the United States for collection of interest on bonds, or other similar obligations, owned by the partnerships of which they are members:

I, a member of the
firm or partnership of
of, and residing at
(Give full address), do solemnly declare that

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the said partnership is the owner of \$.....
bonds of the denomination of.....each,
Nos.....of the.....

(Give name of debtor)

known as.....bonds, from

(Describe the particular issue of bonds
which were detached the accompanying interest
coupons, due.....191...., amounting
to \$....., or upon which there
matured.....191...., \$.....
of registered interest, and that the name and
address of said firm or partnership, and the
names of the individual members thereof, and
their places of residence, are as follows:

NAMES OF PARTNERS

ADDRESS

.....
.....
.....
.....

Name of partner signing.....

Of firm of.....

Address.....

Date.....191....

Any member of a partnership, who is entitled to a deduction (under Paragraph C, Section II, of the Income Tax Law) of his pro rata share of the tax which may be withheld at the source on interest on bonds owned by his copartnership, as above, may claim such deduction or allowance when he shall make his individual income tax return for the year in which said deduction at the source was made.

Non-Resident Foreigners Owning Interest Bearing Bonds not Subject to Taxation on Income from Such Bonds if Proper Certificate Furnished

This tax will not be deducted from the income which may be derived from interest on bonds, mortgages, equipment trusts, receivers' certificates, or other similar obligations of which the bona fide owners are citizens of for-

eign countries residing in foreign countries: *Provided*, that such interest coupons or in case of wholly registered bonds, the orders for the payment of such interest, shall be accompanied by duly certified certificates hereinafter provided for to cover the cases of foreign and non-resident owners of bonds and other securities.

Unless such proof of foreign ownership is duly furnished, the normal tax of 1 per cent shall be deducted as herein provided.

Such certificate shall be in substantially the following form:

***Form of Certificate to be Presented with
Coupons or Interest Orders, Detached
from Bonds or Other Obligations
Owned by Those who are Both
Citizens or Subjects, and
Residents of Foreign
Countries***

"I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject (or citizen) of..... and the owner of \$..... bonds of the denominations of \$..... each, Nos.....
.....
of the....., known as
(give name of Debtor corporation)
..... bonds,
(describe the particular issue of bonds)
from which were detached the accompanying coupons, due....., 191...., amounting to \$....., or upon which there matured191...., \$....., of registered interest, and that being a non-resident foreigner, I am exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigners residing in the United States, or any of its possessions, has any interest in

said bonds, coupons, or interest.

Signature of

Owner of bonds.....

(Give full name)

Address.....

(Give full postoffice address)

Date.....191....

Temporary Provision

In view of the fact that the time required for the interpretation of the law and preparation and issuance of these regulations brings the date so near November first, and that many coupons payable upon that date are already in transit without the prescribed certificates attached, with a desire to cause as small an amount of inconvenience as possible to bondholders and general business as may be compatible with the provisions of the law and of these regulations, the following temporary provision is made:

On November 1, 1913, and for fifteen days thereafter, coupons presented to a Debtor need not be accompanied by certificates in any of the forms hereinbefore described, provided that such coupons are accompanied by a certificate substantially in the following form:

***Form of Temporary Certificates Which may
be Used Only Prior to November 16,
1913, Subject to Substitution***

I (we) hereby certify that I am (we are) lawfully entitled to present for payment the accompanying coupons or interest orders amounting to \$.....(giving amount) representing interest matured on the following bonds.....(giving name of debtor and designating the description, style, and numbers of the bonds); that said coupons or interest orders came into my (our) possession unaccompanied by a certificate of ownership of said bonds, in any of the forms required by

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the regulations of the United States Treasury Department; and that the name and address of the owner of such bonds are as follows:

.....(give name and address of owner; if impossible to do this, so state).

Name of person, firm, or corporation presenting coupons:

Address.....

On or before February 1, 1914, certificates of the ownership of any of the bonds upon which was collected the interest referred to in such temporary certificates, in any of the forms above set forth, may be delivered to the debtor; and said debtor may thereupon return any sum withheld to which the owner of such bonds may be entitled under the law and regulations upon the facts disclosed by such ownership certificates. Any temporary certificates relating to bonds, for which certificates of ownership shall not have been substituted with the Debtor, shall, on or before March 1, 1914, be delivered to the collector of internal revenue.

All forms of certificates herein provided for shall be 8 inches wide and $3\frac{1}{2}$ inches from top to bottom, and printed on paper corresponding in weight and texture to glazed bond paper 17 by 28, about 26 pounds to the ream of 500 sheets, or white writing paper 21 by 32, about 32 pounds to the ream of 500 sheets, and the person or corporation first receiving coupons for collection shall write or stamp his or its name and address and date on the back of said certificates.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved October 25, 1913.

W. G. McADOO,
Secretary of the Treasury.

INTERNAL REVENUE

REGULATIONS

II

REGARDING THE DEDUCTION
OF THE INCOME TAX AT
THE SOURCE ON INCOME

OTHER THAN

INTEREST MATURING ON BONDS, NOTES
AND OTHER SIMILAR OBLIGATIONS OF
CORPORATIONS, JOINT STOCK
COMPANIES, OR ASSOCIATIONS AND
INSURANCE COMPANIES, UNDER
THE PROVISIONS OF SECTION II
OF THE ACT OF OCTOBER 3, 1913,

REPRINTED AS ISSUED
BY THE INTERNAL REVENUE
DEPARTMENT,
OCTOBER 31, 1913

By Whom the Normal Tax Shall be Deducted and Withheld

The "source" in these regulations shall be construed as referring to the place where the income originates.

All persons, firms, etc., mentioned in paragraph E of this law, hereinafter referred to either as "Debtors" or "withholding agents," namely:

Copartnerships, companies, corporations, joint-stock companies, or associations, insurance companies, in whatever capacity acting, including lessees, mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers and all officers and employes of the United States having the control, receipt, custody, disposal, or payment of interest (except income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations upon which the normal tax of 1 per cent has otherwise been withheld at the source, as provided by these regulations), rents, salaries, wages, royalties, taxable annuities, emoluments, or other fixed or determinable gains, profits, and income of another person, exceeding \$3,000 for any taxable year, except as hereinafter provided, shall deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax of 1 per cent imposed thereon by section 2 of this act, and shall make lawful return and pay the taxes so withheld to the collector of internal revenue for the district in which said withholding agent resides or has his, her, or its principal place of business.

The normal tax of 1 per cent shall be thus withheld from all income derived from fixed

annual periodical rent of realty or personalty, interest (except as herein otherwise provided), salaries, royalties, taxable annuities, and other fixed annual periodical income exceeding \$3,000.

Items Upon Which Tax is not to be Withheld at the Source

(1) Dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations and insurance companies subject to like tax, when said withholding agents are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district.

(2) Proceeds of life insurance policies paid upon the death of the person insured, or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon the surrender of contract—all of which shall not be included as income under this law—but this shall not be construed to exempt said insurance companies from withholding and paying the normal tax of 1 per cent on interest income paid by insurance companies to beneficiaries of policies when said interest exceeds \$3,000.

(3) Income of an individual which is *not* fixed or certain, and payable at stated periods, or is indefinite or irregular as to amount or time of accrual, shall not be withheld at the source, but shall be returned, and the tax shall be paid thereon by the individual.

Income derived from the following professions and vocations come under this head: Farmers, merchants, agents compensated on the commission basis, lawyers, doctors, authors, inventors, and other professional persons.

Such persons shall make personal return of all their income, provided their total income from all sources exceeds \$3,000. For example: When a lawyer receives a retainer of \$5,000 as a special fee, a deduction therefrom shall not be made by the payer, but when a lawyer receives a retainer of \$5,000 *per annum*, and the exemption claimed is \$3,000, \$2,000 of such income would be taxed and the tax retained at the source, or if his exemption claimed should be \$4,000, \$1,000 of such income would be taxed and the tax thereon withheld at the source.

(4) The value of property acquired by gift, bequest, devise, or descent.

(5) Interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions; also the compensation of the present President of the United States during the term for which he has been elected, and of the judges of the Supreme and inferior courts of the United States now in office, and the compensation of all officers and employes of a State or any political subdivision thereof paid by a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

This exempts from the income tax all salaries paid to an individual by a State or any political subdivision thereof, including the salaries of State, county, and municipal officers, the salaries of public-school teachers, and special compensation paid by States or subdivisions thereof for professional services, whether in the shape of salaries or special fees.

Normal Tax on the Same Income is to be Withheld but Once

The normal tax of 1 per cent shall be deducted and withheld *at the source*, and pay-

ment made to the Collector of Internal Revenue as provided in the law, by the Debtor or his, her, or its duly appointed agent authorized to make such deduction and payment.

No other person, firm, or organization, in whatever capacity acting, having the receipt, custody, or disposal of any income, as herein provided, shall be required to again deduct and withhold the normal tax of 1 per cent thereon: *Provided*, That any person, firm or organization in whatever capacity acting, other than the Debtor who has withheld said tax, shall file with the Collector of Internal Revenue for his, her, or its district, a certificate in substantially the following form:

Form of Certificate to be filed by persons, firms, or organizations required to withhold and pay said tax other than the Debtor at the source.

To: _____,
(Name of collector of internal revenue)

Collector of Internal Revenue,

(Give address and designate district)

I, _____,
(Name)

(Official title if any)

of the _____,
(Person, firm, or organization)

(Capacity in which acting)

of _____,
(Post-office address)

do solemnly declare that I (we) received of
_____ \$ _____,
(Name from whom received)

same being income derived from _____

(State source, whether rents, salary, or other sources)
belonging to _____,
(Give name of person to whom income is due)

(Address)

and that the tax thereon amounting to \$ _____,
to which said person is subject, has been with-

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held at the source of said income by.....

.....,
(Name of person withholding)

.....
(Post-office address)

(Signed)

Address

.....
(Street and number)

.....
(City and State)

Date:....., 191....

***Exemptions Which May be Claimed by
Individuals***

Any person subject to the normal tax of 1 per cent, the amount of which is withheld or is to be withheld at the source, wishing to avail himself or herself of the exemption provided in paragraph C, section 2, of this act (\$3,000 or \$4,000, as the case may be) must file with the withholding agent, not later than 30 days prior to the day on which the return on his income is due, a notice in the following form:

*Form for claiming exemption at the source as
provided in paragraph C, section 2, of the
Federal income-tax law of October 3,
1913.*

To.....
(Give name of withholding agent)

.....
(Post-office address)

I hereby serve you with notice that I.....

.....
am *single—married and living with my wife*
(Strike out so as to show status correctly)
—*husband*, and now claim the benefit of the
exemption of \$....., as allowed in para-
graphs C and D of section 2 of the Federal
income-tax law of October 3, 1913 (my to-
tal exemption under said paragraphs being
\$.....).

Signed:.....,

Address:.....,
(Street and number)

.....
(City and State)

Date:....., 191....

***By Whom Exemptions Under Paragraph C,
Section 2, of this Act, may be
Claimed***

Every single person, or every married person not living with wife or husband, who is liable for the normal income tax under this law may claim a total deduction of \$3,000 from net income, on which deduction he or she is exempt from said normal tax of 1 per cent.

Where a husband and wife live together and only one of them has an annual income liable for the normal tax of 1 per cent, then the husband or wife who has the income shall make the return and pay the said tax and may claim and deduct an exemption of \$4,000.

But if a husband and wife live together and each has an annual income liable for the normal tax of 1 per cent, then in that event they shall make a separate return, and the \$4,000 exemption allowed to a husband and a wife when living together may be claimed and deducted by *either* the husband or wife, as they may mutually agree (but not by both separately), or the said exemption shall be *pro-rated* between them in proportion to their net income.

***Amount of Exemption Allowable for 1913
Under Paragraph C, Section 2, of the
Federal Income-Tax Law***

For the present year of 1913 (from March 1 to December 31) exemption allowed under paragraph C of this law shall be five-sixths of those of the calendar year, as specified in paragraph D, namely, \$2,500 if the exemption is \$3,000, or \$3,333.33 if the exemption is \$4,000, as the case may be.

***When and on What Amount the Normal
Tax of 1 Per Cent Shall be
Withheld***

A withholding agent who pays monthly or periodically during the year interest (except

income derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, etc., upon which the normal tax of 1 per cent has been withheld at the source, as provided by regulations), rents, salaries, wages, etc., shall not withhold the said tax until such time as the rents, salaries, wages, etc., shall have reached an aggregate amount in excess of \$3,000. When such amount has been reached he, she, or it shall withhold the tax on the whole \$3,000 and excess thereof, *unless* the person to whom the income is due files with him, her, or it the notice above provided, claiming exemption under paragraph C of section 2 of this act, in which case the withholding agent shall withhold only the tax on the income in excess of said exemption of \$3,000 or \$4,000 (as the case may be), and the tax so withheld shall be returned and paid as required by law.

Deductions to be Made in Computing Net Income

Any person subject to the normal income tax of 1 per cent, a part of whose income is withheld or is to be withheld at the source, who may wish to avail himself of the deductions authorized in subsection B, section 2, of this act, may file either with the Collector of Internal Revenue for the district in which return is made for him, or with the withholding agent, not later than 30 days prior to March 1, a return and notice in substantially the following form:

Form No.

**UNITED STATES INTERNAL
REVENUE.**

Return making application for deductions, as provided by paragraphs B and E, section 2 of the Federal Income Tax Law of October 3, 1913.

HARRIS TRUST & SAVINGS BANK

To
(Name of withholding agent)

.....
(Street and number)

.....
(Town or city) (State)

I hereby solemnly declare that the following is a true and correct return of my gains, profits, and income from all other sources for the calendar year ended December 31, 191.... (from March 1 to December 31 for the year 1913), and a true and correct return of deductions asked for under paragraph B of section 2 of the act of October 3, 1913, and I hereby claim deductions as shown below.

Amount of gains, profits, interest, rents, royalties, profits from co-partnerships, and income from all other sources whatsoever\$.....

DEDUCTIONS.

- 1 The amount of necessary expenses actually paid in carrying on business, except business expenses of partnerships, and not including personal, living or family expenses.....\$.....
- 2 All interest paid within the year on personal indebtedness of taxpayer\$.....
- 3 All national, state, county, school, and municipal taxes paid within the year (not including those assessed against local benefits)\$.....
- 4 Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck and not compensated for by insurance or otherwise\$.....
- 5 Debts due, which have been actually ascertained to be worthless and charged off within the year.....\$.....

HARRIS TRUST & SAVINGS BANK

- 6 Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed in the case of mines 5 per cent of the gross value of the output for the year for which computation is made, but not including the expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made\$.....
- 7 The amount received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income\$.....
- 8 The amount of income, the tax upon which has been paid or withheld for payment at the source of income\$.....
- \$.....
- Total deductions\$.....
- Date....., 191....
- (Signed)
- Address
-

NOTE.—Money or other things of value, disposed of by gift, donation, or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the income-tax law.

Money or other things of value, disposed of by gift, donation, or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the income-tax law.

***Amount of Deduction Allowable for 1913
According to Paragraphs B and D
of Section 2 of this Act***

For the present year of 1913 (from March 1 to December 31) the deductions allowed under paragraph B shall be five-sixths of the deductions allowable for a calendar year, as specified in paragraph D of this law.

***Amount of Tax to be Withheld for 1913,
and When Withheld***

The withholding agent is not required to deduct and withhold prior to November 1, 1913, the normal tax of 1 per cent for which an individual is liable.

Whenever the total amount of income paid to any person by a withholding agent *after* October 31, 1913, shall be in excess of \$3,000, then, in that event, the withholding agent shall be liable for and shall deduct and withhold the tax on such amount, unless such person shall file a claim for an exemption as allowed in paragraph D of this act, the amount of exemption allowable being \$2,500 if the annual exemption is \$3,000, or \$3,333.33 if the annual exemption is \$4,000, as the case may be.

Persons Physically Unable to Make Returns

If a person subject to said tax, part of whose income is withheld or is to be withheld, is a minor or insane person, or is absent from the United States, or unable to make the application or return because of serious illness, the application or return may be made by the withholding agent, who shall make the following oath under the penalties of this act:

*Form of oath required of a withholding agent
when acting for another in filing return and
making application for deductions allowable*

HARRIS TRUST & SAVINGS BANK

under paragraph B, as provided in paragraph E, section 2, of the Federal income-tax law of October 3, 1913.

I hereby swear (or affirm) that I have sufficient knowledge of the affairs and property of _____,
(Naming person and address for whom acting)
to enable me to make a full and complete return for _____, and
(Naming person)
that the return of income and application for deductions made by me are true and accurate.

Signed _____

Address _____
(Street and number)

(City and State)

Date: _____, 191____

Signed and sworn to before _____
_____, 191____

Penalties

Subsection F of section 2 of the income-tax law provides *inter alia* as follows:

Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required to be made shall be guilty of a misdemeanor and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, in the discretion of the court, with the costs of prosecution.

W. H. OSBORNE,
Commissioner of Internal Revenue.

Approved October 31, 1913.

W. G. McADOO,
Secretary of the Treasury.

INTERNAL REVENUE

REGULATIONS

III



HARRIS TRUST & SAVINGS BANK

(T. D. 1893)

Income Tax on the Interest on Bank Deposits and Bank Certificates of Deposit Not to be Withheld at the Source

Washington, D. C., Nov. 6, 1913.

To Collectors of Internal Revenue:

Banks, Bankers, Trust Companies, and other banking institutions receiving deposits of money, are NOT REQUIRED under the Treasury Regulations (part 2), approved October 31, 1913, to withhold at the source the normal income tax of one per cent on the interest paid, or accrued or accruing to depositors, whether on open accounts or on Certificates of Deposit; but all such interest, *whether paid, or accrued and not paid*, must be included in his tax return by the person or persons entitled to receive such interest, whether on open account or on the Certificate of Deposit.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:

W. G. McADOO,
Secretary of the Treasury.

(T. D. 1892)

Interest upon Obligations of the United States or its Possessions, or of any State, County, City or any other Political Subdivision thereof, is not Subject to Income Tax

Washington, D. C., Nov. 6, 1913.

To Collectors of Internal Revenue:

It has been called to the attention of this office that banks in certain sections are refusing to pay coupons for interest on bonds of States, counties, cities, or other political subdivisions of the United States, when such coupons are

not accompanied by certificates of ownership, without deducting the normal income tax of one per cent, which the law and the regulations of this Department require shall be deducted at the source in paying the interest on bonds of corporations, joint stock companies, or associations and insurance companies.

Please inform all parties interested, giving the information wide publicity, that the income derived from the interest upon the obligations of a State, county, city, or any other political subdivision thereof, and upon the obligations of the United States or its possessions, *is not subject to the income tax*, and a certificate of ownership in connection with the coupons or registered interest orders for such interest will not be required.

The interest coupons should clearly show on their face whether they are issued by the United States or any political subdivision thereof. If, however, they do not clearly show this, then of course, an ownership certificate should be required.

Respectfully,

W. H. OSBORN,
Commissioner.

(T. D. 1891)

*Income Tax on Notes Given
for Interest Rents, etc.*

***How Tax shall be Collected when such Notes,
before their Maturity, shall have been
Sold by the Payee or Recipient,
or shall have been Discount-
ed with Banks***

Washington, D. C., November 3, 1913.

To Collectors of Internal Revenue:

When a note shall have been given in payment of interest, rents, or other income accruing after March 1, 1913, and said note ma-

tures on or after November 1, 1913, the *maker of the note*, as the "debtor" and as the "source" where the income originates, is required, in paying such note, to withhold the normal tax of one per cent on the entire amount of the note, if said note is in excess of \$3,000, unless a claim shall be made for exemption of \$3,000 or \$4,000 (as the case may be) under the provisions of paragraph C, section 2 of the act; and if such claim for exemption shall be made (as provided for on Form 1007), then the said tax shall be withheld only on the amount of said note in excess of the exemption claimed in said certificate.

If any person who has purchased or discounted any of said notes may have omitted, in acquiring them from previous holder, to make a deduction or allowance for said tax, such purchaser can only look for relief to the person from whom he shall have gotten the notes, and the "debtor," the maker of said notes, will be held liable for and be required to deduct, withhold, and pay to the collector of internal revenue the amount of the normal tax of one per cent which may be due thereon under the law and these regulations.

To illustrate:

A (unmarried, and who does not claim the \$3,000 exemption provided in paragraph C of section 2 of the income-tax law) borrows on May 1, 1912, \$120,000 from B at 6 per cent per annum interest on two years' time and gives B his bond for \$120,000 for the principal and four \$3,600 notes, each representing six months' interest, for the maturing interest, payable May 1 and November 1 each year. On October 1, 1913, B takes A's interest note for \$3,600, due November 1, 1913, (which bears no mark to indicate that it represents interest), to the Richmond National Bank; the bank is not informed that the note represents

interest, but being satisfied that A, the maker of the note, is good without additional indorsement, discounts the note for B at the rate of 6 per cent per annum and pays to B the proceeds—\$3,582.

On November 1, 1913, the note matures and the bank calls on A, the maker, to pay the note. A offers the bank \$3,564, which is equal to \$3,600 less the one per cent tax of \$36, informing the bank that the note represents interest which he owes and that, under the Federal income-tax law, he is required to deduct this tax from the face of the note in making payment.

The bank claims that it was not informed that the note represented interest and, therefore, subject to this tax; but *A is, nevertheless, required under the law to withhold the tax.*

If A under his contract with B had agreed to pay the interest *without deduction for any income tax* which might be imposed by the Government, he would, of course, after deducting the one per cent tax for the Government, pay the bank, as holder of the note, the full amount of \$3,600. But if the contract between A and B did *not* provide that A would pay the full interest without deducting such income tax as the Government might impose, and if the bank should, therefore, desire to reimburse itself for the amount of the tax thus deducted by A, the bank can look only to B, for whom it discounted the note, and the question as to whether this \$36 deduction should be borne by B or by the bank is a question which must be settled mutually between the bank and B.

W. H. OSBORN,
Commissioner of Internal Revenue.



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